



Scotiabank & Trust (Cayman) Ltd
Basel Pillar 3 Disclosure
Q3 2023
For the period ended: July 31, 2023

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General Overview

This disclosure is a requirement of the Cayman Islands Monetary Authority's (CIMA) Pillar 3 Disclosure Requirements Rules and Guidelines (September 2021). The aim of the Pillar 3 Disclosures is to promote market discipline and increase transparency across the banking industry.


This publication presents our Q3/2023 disclosures based on our Consolidated Financial Statements and Basel Pillar II Regulatory Return for the same period. Our disclosures have been reviewed and approved by the Board of Directors of Scotiabank & Trust (Cayman) Ltd. This document is not audited.

Scotiabank & Trust (Cayman) Ltd ("STCL" or "the Bank") was incorporated under the Companies Act of the Cayman Islands on 26 August 1965, under the name of Bank of Nova Scotia Trust Company (Cayman) Limited ("Scotia Trust"). STCL was granted Unrestricted Category 'A' Banking and Trust Licenses on 11 November 1966 pursuant to the Cayman Islands' Banks and Trust Companies Act. The ultimate parent is The Group of Nova Scotia ("BNS"), a company incorporated in Canada. STCL registered office and principal place of business is 2nd Floor, 18 Forum Lane, Camana Bay, P.O. Box 689, Grand Cayman, KY1-1106, Cayman Islands. Our business activities consist of the provision of commercial and retail banking services, including the acceptance of deposits, granting of loans and the provision of foreign exchange services within the Cayman Islands, and private banking and trust, corporate, administrative, and financial services.

Part 1 – OV1 – Overview of Risk Weighted Assets

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Bank’s strategies and risk appetite, and that there is an appropriate balance between risk and reward to maximize shareholder value. As a credit providing institution, the bank ensures that it is adequately capitalised relative to exposure measured by its risk weighted assets (RWA). The Bank has an internal target capital ratio of 15% which is three hundred (300) basis points more than regulatory capital requirements of 12%.

The following table analyses the minimum capital requirement as of 31 July 2023:

USD (in \$'000)		OV1: Overview of RWA 		
		a	b	c
		RWA		Minimum capital requirements ⁽¹⁾
		Q3 2023	Q2 2023	Q3 2023
1	Credit risk (excluding counterparty credit risk)	1,364,427	1,328,372	163,731
2	Securitisation exposures			
3	Counterparty credit risk (CCR)			
4	Of which: Current Exposure method	-	-	
5	Of which: Standardized method			
6	Market risk	109,319	207,541	13,118
7	Of which: Equity Risk			
8	Operational Risk	258,765	266,251	31,052
9	Of which: Basic Indicator Approach	258,765	266,251	
10	Of which: Standardized Approach			
11	Of which: Alternative Standardized approach			
12	Total (1 + 2+3+6+8)	1,732,510	1,802,164	207,901


Total RWA decreased by \$69.6 million (4%) compared to the prior quarter. This was driven by lower RWA for market risk, owing to a decrease in foreign exchange positions and partially offset by higher RWA for credit risk, which increased by \$36 million, owing to new loan originations.

Part 2 – Leverage

The leverage ratio is a non-risk measure that supplements the STCL’s risk based minimum capital requirement. This ratio measures the amount of core capital the Bank has compared to its total assets, which is used as an indicator of STCL’s ability to effectively respond to economic stress. CIMA’s Leverage Ratio, *Rules and Guidelines* (December 2019), provides that a bank must always maintain a minimum leverage ratio of 3%. The Pillar 3 Disclosures measure for leverage is comprised of the LR1 and LR2 schedules detailed below:

2.1 – LR1: Summary comparison of accounting assets vs leverage ratio exposure measure


The following table analyses the carrying values of regulatory and financial accounting disclosures as of 31 July 2023:

LR1: Summary comparison of accounting assets vs leverage ratio exposure measure			
USD (in \$'000)		Q3 2023	Q2 2023
1	Total consolidated assets as per published financial statements	3,797,138	3,534,146
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		
3	Adjustment for securitized exposures that meet the operational requirements for the recognition of risk transference		
4	Adjustments for temporary exemption of central bank reserves (if applicable)		
5	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		
6	Adjustments for regular way purchases and sales of financial assets subject to trade date accounting		
7	Adjustments for eligible cash pooling transactions		
8	Adjustments for derivative financial instruments		
9	Adjustment for securities financing transactions (i.e. repurchase agreements and similar secured lending)		
10	Adjustment for off balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	10,386	18,473
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-	-
12	Other adjustments	4,959	2,038
13	Leverage ratio exposure measure	3,812,483	3,554,657

The movement in the leverage ratio exposure measure is mainly due to the increase in Total on-balance sheet assets, driven by higher cash balances.

2.2 – LR2: Leverage Ratio Common Disclosure

The Bank's leverage ratio for Q3 2023 was 18%, representing a 15% buffer above the regulator minimum requirement of 3%. Comparatively, the leverage ratio decreased marginally by (-1%) relative to the prior quarter.


LR2: Leverage ratio common disclosure			
USD (in \$000)		a	a
		Q3 2023	Q2 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	3,802,097	3,536,184
2	Gross up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an		
5	(Specific and general provisions associated with on balance sheet exposures that are deducted from		
6	(Asset amounts deducted in determining Basel III Tier 1 capital and regulatory adjustments)		
7	Total on balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 to 6)	3,802,097	3,536,184
Derivative exposures			
8	Replacement cost associated with <i>all</i> derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)		
9	Add-on amounts for PFE associated with <i>all</i> derivatives transactions		
10	(Exempted CCP leg of client-cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	Total derivative exposures (sum of rows 8 to 12)		
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
18	Total securities financing transaction exposures (sum of rows 14 to 17)		
Other off-balance sheet exposures			
19	Off-balance balance sheet exposure at gross notional amount	29,117	92,366
20	(Adjustments for conversion to credit equivalent amounts)	(18,732)	(73,893)
21	(Specific and general provisions associated with off balance sheet exposures deducted in determining		
22	Off-balance sheet items (sum of rows 19 to 21)	10,385	18,473
Capital and total exposures			
23	Tier 1 capital	675,369	677,642
24	Total exposures (sum of rows 7,13,18 and 22)	3,812,483	3,554,657
Leverage ratio			
25	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank	18%	19%
25a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank		
26	National minimum leverage ratio requirement	3%	3%
27	Applicable leverage buffers	15%	16%

Part 3 – Liquidity

3.1– LIQ1: Liquidity Coverage Ratio (LCR)

The liquidity coverage ratio aims to ensure that a bank has an adequate stock of unencumbered high quality liquid assets (HQLA) that can be converted into cash at little or no loss of value, to meet its liquidity needs for a 30-calendar day liquidity stress scenario. The Liquidity Risk Management Rules and Guidelines (February 2022) provides that the Bank should not have a ratio that is less than 100%. STCL ensures that there is adequate monitoring of our HQLA to maintain our liquidity. The Bank’s HQLA comprises mainly of marketable securities issued by highly rated sovereign.

The following table analyses the LCR as of 31 July 2023, using monthly averages:

LIQ1: Liquidity Coverage Ratio (LCR)						
USD [in \$'000]	Q3 2023		Q2 2023			
	Total unweighted value	Total weighted value	Total unweighted value	Total weighted value		
High-quality liquid assets						
1 Total HQLA	182,385	182,385	183,200	183,200		
Cash Outflows						
2 Retail deposits and deposits from small business customers, of which:						
3 Stable deposits						
4 Less stable deposits	309,871	29,369	313,319	29,654		
5 Unsecured wholesale funding, of which:						
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	1,842,409	455,161	1,846,591	389,562		
7 Non-operational deposits (all counterparties)	68,339	68,339	102,075	102,075		
8 Unsecured debt						
9 Secured wholesale funding						
10 Additional requirements, of which:						
11 Outflows related to derivative exposures and other collateral requirements	101,382	10,138	109,386	10,939		
12 Outflows related to loss of funding on debt products						
13 Credit and liquidity facilities						
14 Other contractual funding obligations	48,099	42,167	47,284	41,657		
15 Other contingent funding obligations	111,333		99,711	-		
16 TOTAL CASH OUTFLOWS	2,413,094	536,835	2,416,291	573,886		
Cash Inflows						
17 Secured lending (e.g. reverse repos)						
18 Inflows from fully performing exposures	2,203,494	1,393,240	2,115,603	1,374,156		
19 Other cash flows						
20 TOTAL CASH INFLOWS	2,203,494	1,393,240	2,115,603	1,374,156		
		Total adjusted value		Total adjusted value		
21 TOTAL HQLA		182,385		183,200		
22 Total net cash outflows		134,209		143,472		
23 Liquidity Coverage Ratio (%)		136%		128%		

The LCR increased by +8% due to a reduction of (-33%) in non-operational deposits offset with a marginal decrease in HQLA of (-0.4%).